

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

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Person To Contact:

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CC:CORP:04

PLR-155705-06

Date:

February 27, 2007

Legend:

Taxpayer =

Subsidiary =

Target =

Business A =

Year 1 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

a =

b =

Dear :

This letter responds to your December 4, 2006 request for rulings regarding certain Federal income tax consequences of a transaction. The information submitted in that letter is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayers and accompanied by penalties of perjury statements executed by the appropriate parties. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Taxpayer is a publicly-traded domestic corporation that elected to be taxed as a real estate investment trust ("REIT") beginning with its Year 1 taxable year. Taxpayer engages in Business A.

Target was organized as a REIT. At the time of its organization, Target was wholly owned by one individual and was a disregarded entity for Federal tax purposes. Target filed an election to be treated as a corporation effective Date 1. On Date 2, Target issued a shares in a private placement transaction. The proceeds were invested in various assets, some of which would not qualify as "real estate assets" under section 856(c)(5)(B) of the Code, but for the fact that they are stock or debt instruments related to the temporary investment by Target of new capital as permitted under section 856(c)(5)(B) ("Target's Temporary Investment Assets").

Subsidiary is a qualified REIT subsidiary, as defined in section 856(i)(2), which is wholly owned by Taxpayer and is therefore disregarded as an entity separate from Taxpayer for Federal income tax purposes. On Date 3, Target merged with and into Subsidiary ("Merger"), with Subsidiary surviving. Target's taxable year ended on Date 3. As a result of the Merger, each issued and outstanding share of Target stock held by its shareholders, other than Taxpayer or Subsidiary, was automatically converted into

the right to receive b shares of Taxpayer stock. Any stock of Target that may have been held by either Taxpayer or Subsidiary was cancelled for no consideration.

Representations

In connection with the Transaction described above, the following representations have been made:

(a) Taxpayer was properly classified as a REIT for Federal income tax purposes for its taxable years ending on Date 4 and Date 5, and expects to be properly classified as a REIT for its taxable year ending on Date 6.

(b) Subsidiary was and continues to be properly classified as a qualified REIT subsidiary (as defined in section 856(i)(2)) and is therefore disregarded as an entity separate from Taxpayer for Federal income tax purposes.

(c) Target will be properly classified as a REIT for Federal income tax purposes for its taxable year beginning on Date 1 and ending on Date 3.

(d) Target merged with and into Taxpayer in a transaction that qualifies as a reorganization within the meaning of section 368(a)(1)(A).

(e) Had the Merger not occurred, Target's Temporary Investment Assets would have continued to qualify as "the temporary investment of new capital" for purposes of section 856(c)(5) through Date 7.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows on the Transaction:

(1) The characterization of Target's Temporary Investment Assets as "the temporary investment of new capital" under section 856(c)(5)(D)(ii) will carry over to Taxpayer in the Merger such that those assets will qualify as "real estate assets" (within the meaning of section 856(c)(5)(B) of the Code) in Taxpayer's hands during the period beginning on Date 3 and ending on Date 7 (the "QTI Carryover Period"); and

(2) The characterization of Target's Temporary Investment Assets as "the temporary investment of new capital" under section 856(c)(5)(D)(ii) will carry over to Taxpayer in the Merger such that income attributable to those assets that is received or accrued by Taxpayer during the QTI Carryover Period will be treated as "qualified temporary investment income" (within the meaning of section 856(c)(5)(D)(i)).

Caveats

No opinion is expressed about the tax treatment of the Merger under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Merger that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding: 1) whether all of the assets received by Taxpayer in the Merger qualify as “new capital” for the twelve-month period beginning on Date 3 in exchange for the issuance of stock; and 2) whether Taxpayer or Target has qualified or continue to qualify as REITs for Federal income tax purposes.

Procedural Statements

This letter is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the powers of attorney on file in this office, a copy of this letter is being sent to each of your authorized representatives.

Each taxpayer involved in the Transaction should attach a copy of this letter to its Federal income tax return for the taxable year in which the Transaction is completed. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Marie C. Milnes-Vasquez
Senior Technician Reviewer, Branch 4
Office of Associate Chief Counsel (Corporate)